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COMPANY NEWS

Australia Suspects Bank Link To C.I.A.

Special to The New York Times

SYDNEY, Australia, Nov. 12 — Australian detectives are expected to visit the United States and Southeast Asia in the next few weeks as they attempt to determine whether the failed Sydney-based Nugan Hand Merchant Bank was involved in trafficking in heroin and covert activities of the United States Central Intelligence Agency.

Under particular scrutiny will be the work carried out for Nugan Hand by retired United States Government officials and military officers between 1977 and 1980, when one of the bank's founders, Frank Nugan, was found shot dead and the other, Michael Hand, vanished. The bank collapsed following Mr. Nugan's death.

In a report released earlier this week, the Australian Government said it had uncovered evidence of a link between the C.I.A. and Nugan Hand. The report, heavily censored because the Government thought that publication might inhibit the continuing investigations, was made by a police group studying the possible involvement of the bank in drug trafficking.

The report said that Mr. Hand, who was born in New York City, and a Nugan Hand associate, Bernard Houghton, a 62-year-old Texan who was the bank's representative in Saudi Arabia, had a background in American intelligence before they arrived in Sydney in 1967.

Mr. Hand, who became an Australian citizen in 1979, is believed to be in the United States, the report said.

A 'Strong Inference'

The police report said of Mr. Hand: "His business activities in the late 1960's and the early 1970's with members of the C.I.A.-controlled airline, Air America, and C.I.A.-connected Continental Air Service and Agency for International Development led to the strong inference that Hand's intelligence activity was with the C.I.A.

"There is some evidence to suggest that Hand retained his U.S. intelligence ties through the 1970's and probably into the 1980's. Houghton was associated with U.S. intelligence personnel in Southeast Asia and Australia, and had some type of association with personnel in the Australian security and intelligence organization."

Kevin Newman, Australia's administrative services minister, said in a statement that senior American officials had assured him that the C.I.A. had no involvement in the bank. The report said it was not drawing conclusions about C.I.A. involvement with the bank, and its only recommendation was that further investigation was warranted.

The censored part of the report is believed to discuss links between Nugan Hand and organized crime, establishing that the bank was involved in heroin smuggling.

Millions of Dollars Transferred

Among the deletions in the report were nearly two pages following the heading "The unfinished investigation, United States personnel involved."

Almost 40 pages of the 240-page report were devoted to Mr. Houghton. The report said that when Mr. Houghton ran the Saudi Arabian office, the bank transferred millions of dollars out of Saudi Arabia. The money has yet to be traced.

Many pages relating to Mr. Houghton were deleted. Their headings include "The destruction of Nugan Hand records"; his meetings in 1979 with a former C.I.A. operative, Edwin P. Wilson, who was recently arrested in the United States and charged with exporting explosives to Libya to help train terrorists, and a section headed "Houghton and two Australian clients of Nugan Hand — a case of fraud?"

The report included a long list of Americans who worked for Nugan Hand.

Colby Is Named

Among those named were Rear Adm. Earl Yates, United States Navy, retired, the first president of Nugan Hand International; William E. Colby, Director of Central Intelligence from 1973 to 1976, who worked as legal adviser to Nugan Hand International after 1979; Walter McDonald, former economist and oil expert at the C.I.A., who joined Nugan Hand International in 1979 as a consultant; Brig. Gen. Edwin Black, United States Army, retired, the bank's representa-

tive in Hawaii; Lieut. Gen. LeRoy Manor, United States Air Force, retired, the Nugan Hand representative in Manila; Dr. Guy Pauker, a consultant to Nugan Hand International, and Dale Holmgren, the bank's Taiwan representative, who was an Army officer in Taiwan.

Apart from the police investigations, a Royal Commission on drug trafficking is also looking into activities of the Nugan Hand Bank.

A United States Senate select committee on intelligence has also been investigating whether there was a link between the bank and the Central Intelligence Agency. It has yet to publish its report.

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